

The SAVE Act: Q & As

1. Why undertake this initiative with the Philippines?

- The U.S. textile sector currently does not have a substantial market for their products in Asia. The SAVE Act would for the first time create a new opportunity in Asia for U.S. fabric mills, which would boost U.S. exports and help create jobs in this hard-pressed sector.
- Unlike most other Asian apparel producers, the Philippines does not have a significant textile sector of its own and is dependent on imported fabrics. The SAVE Act would encourage Philippine manufacturers to use significant quantities of U.S. made fabrics for their apparel production.
- The Philippines has a long history in apparel manufacturing and is known for high quality needlework. The Philippines generally competes with other Asian countries as a source for higher-end apparel and not with countries in the Western Hemisphere, which generally produce more basic items.
- In the post-China quota period, apparel exports from the Philippines to the U.S. market have fallen from \$2 billion to only \$1 billion. The SAVE Act would allow the Philippines to bring back production that was lost to China since 2006 and re-maintain a competitive sourcing option for U.S. apparel companies.
- The bill would expand upon one of the most balanced U.S. bilateral trade relationships in the fast-growing Asia-Pacific region. For the period 2006-2010, U.S. exports to the Philippines averaged some \$7.2 billion while imports averaged about \$7.8 billion.

Because of long-standing, political, cultural and security ties, the Philippines is a unique partner for the United States in the Asian region and it is important to invest further in the bilateral relationship. The SAVE Act would provide the first trade or commercial initiative between the two countries in nearly four decades.

2. What about the Trans-Pacific Partnership (TPP)?

- President Aquino of the Philippines recognizes the opportunities of the TPP and last year expressed an interest to join the negotiations. However, no new countries are being permitted to join until after the initial TPP agreement is reached among the current nine members.
- The Obama Administration has expressed a goal of finalizing these negotiations by November 2011 when it will host the APEC summit. Thus far, however, progress has been uneven and it is not clear negotiations will be completed then.
- Even if that objective is met, it will likely take several years before the first TPP agreement is implemented and the countries involved would reach consensus on

a second tranche of members. In a best case scenario, it could be three to five years before the Philippines could actually join TPP, by which time the Philippines apparel sector may no longer be competitive.

- Furthermore, the SAVE Act has been developed as the first step towards a full free trade arrangement between the Philippines and the United States, either through TPP or a possible future FTA.

3. How does the SAVE Act support jobs in the U.S. textile sector??

- U.S. fabric exports to the Philippines are currently small: about \$11 million in 2010 and very little of that being apparel fabrics. The SAVE Act would provide strong incentives for Philippine apparel manufacturers to use U.S. fabrics.
- The Save Act has the potential to create demand in the Philippines for hundreds of millions of additional U.S. fabric exports, which could sustain thousands of U.S. jobs over the length of the program. A reasonable forecast suggests that during the duration of the SAVE Act, demand in the Philippines for U.S. fabrics could grow to some \$500 million supporting about 2,000 additional direct jobs in the U.S. textile mill sector (which currently provides somewhat below 60,000 jobs).
- Without the SAVE Act, those products included in the program will continue to be manufactured in the Philippines or elsewhere in Asia without U.S. inputs.
- Efforts are ongoing to help U.S. textile mills develop the potential market in the Philippines – even before the enactment of the SAVE Act. The Philippines Department of Trade and Industry is seeking support from the U.S. Department of Commerce to arrange a textile trade mission to the Philippines as soon as possible, hopefully before the end of 2011.

5. What does the SAVE Act do to prevent abuses of any duty-free access and transshipments by China or other countries though the Philippines?

- The SAVE Act contains the strongest type of requirements to prevent transshipment and promote strict customs enforcement; language that was developed with technical review from U.S. Customs and Border Protection (CBP).
- The SAVE Act requires the Philippines to establish procedures to allow the U.S. government access to information for shipments through the use of an Electronic Visa Information System (ELVIS). Under this system the name of the apparel importer, HTS number of the apparel made from the fabric, and the quantity of apparel made from imported U.S. fabric would be reported.
- Furthermore, the Philippine Government would need to ensure that any potentially transshipped products destined for the United States could be physically stopped in the Philippines.

- There is also enforcement language providing very significant penalties for importers or exporters determined to be in violation of the program.

6. What about labor compliance in the apparel sector?

- The Philippines has a Clothing and Textile Industry Tripartite Council for the textile and apparel sector that contains representation from trade unions, employers and government. The Tripartite Council has adopted a joint statement of support that unanimously endorsed the SAVE Act.
- The trade union representatives on the Tripartite Council includes a broad spectrum of federations that are often in disagreement on other important policy issues, but they all have endorsed the SAVE Act.
- The Tripartite Council has also been working on parallel initiatives to further enhance and protect labor standards within the apparel sector. These initiatives include a formal request to the International Labor Organization to develop a Better Work Program, based upon the Cambodia compliance program, for the Philippines apparel sector, and also a mechanism to be overseen by the Tripartite Council that will assure that only registered and compliant factories would be able to participate under the SAVE Act.

7. Does the SAVE Act raise any issues with U.S. WTO obligations?

- The United States has in recent years implemented a number of developing country trade preference programs for various regions (Caribbean, Andean, Sub-Saharan Africa) and countries (Haiti, Jordan and Egypt QIZ, Dominican Republic (trousers)). For some of these programs the United States requested and received formal WTO recognition after the programs were already implemented, and in some cases the U.S. Government has not sought such waivers – none has been challenged as a WTO concern.
- Most significantly in a WTO context, the SAVE Act is drafted as an interim step towards a full free trade relationship between the Philippines and the United States, and the WTO recognizes the consistency of such measures.

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